

## Out of Scope for Offutt VITA Tax Year 2019 - Tax Season 2020

- Taxpayers who **cannot** substantiate their identity
- Taxpayers who may qualify for the health coverage tax credit
- Taxpayers with F, J, M, or Q visas
- Nonresident aliens who do not meet the green card or substantial presence test and are not married to a U.S. citizen or resident alien
- Individuals having a dual status for the tax year
- A spouse who may be relieved of joint liability as an innocent spouse
- Community property tax laws for married taxpayers who file a separate return from their spouse
- Taxpayers who are not certain they are in a common law marriage (rules are complex and differ from state to state)
- Residential energy-efficient property credit (Form 5695, Part I)
- Cancellation of debt for issues other than “qualified principal residence indebtedness” or nonbusiness credit card debt
- Cancellation of debt for a principal residence that was used in a business or as rental property
- Cancellation of debt when Form 1099-C includes an amount for interest
- Cancellation of debt was because the taxpayer filed bankruptcy or was insolvent immediately before the debt was canceled
- Taxpayers with income from the following sources reported on Form 1040
  - Other gains/losses
  - Farm income
- Taxpayers affected by the Additional Medicare Tax
- Accrual method for reporting income
- Taxpayers who buy or sell bonds between interest payment dates
- Form 1099-INT, box labeled Specified private activity bond interest if AMT applies
- Adjustments needed for any of the amounts listed on Form 1099-OID, or if the taxpayer should have received Form 1099-OID but did not receive one
- Form 1099-DIV, boxes labeled Unrecap. Sec. 1250 gain, Section 1202 gain, Cash liquidation distributions, and Noncash liquidation distributions
- State or local income tax refunds received during the current tax year for a year other than the previous tax year
- Alimony/divorce agreements executed before 1985
- Tax returns for ministers and members of the clergy because of unique tax issues

### Affordable Care Act

- Self-employed health coverage deductions
- Form 8962 Parts IV and V
- Individuals eligible for the health coverage tax credit
- Code FF on Form W-2, box 12 and the employee has a Marketplace policy and is otherwise eligible for PTC

### Business Income/Self-Employed – Schedule C

- Hobby income or not-for-profit activity
- Expenses over \$25,000
- Returns and allowances
- Cost of goods sold (inventory)
- Expenses for employees
- Business use of home (except for CDC daycare)

- Contract labor
- Casualty losses
- Vehicle expenses reported as actual expenses
- Depreciation or the election to expense business assets (other than the de minimus expense safe harbor election)
- Rental or lease expenses – vehicle leases of more than 30 days
- Accounting methods other than the cash method
- Net losses
- A “No” response that indicates the taxpayer does not meet any of the tests for material participation, or is uncertain about materially participating in a business
- Taxpayers who receive any credit card or similar payments that are not includible in income
- A “Yes” response indicating there is a requirement to file Form(s) 1099
- Income from the manufacture, distribution, or trafficking of controlled substances (such as marijuana)

#### Capital Gains/Losses

- Taxpayers who have sold any assets other than stock, mutual funds, and a personal residence
- Taxpayers who trade<sup>3</sup> in options, futures, or other commodities, whether or not they disposed of any during the year
- Determination of basis issues:
  - Basis of stock acquired other than by purchase or inheritance, such as a gift or employee stock option plan, unless the taxpayer provides the basis and holding period
  - Basis of inherited property determined by a method other than the FMV of the property on the date of the decedent’s death, unless the taxpayer provides the basis and holding period
- Like-kind exchanges, and worthless securities
- Form 1099-B, boxes on Bartering; Profit or (loss) realized on closed contracts; Unrealized profit (loss) on open contracts - prior year; Unrealized profit or (loss) on open contracts - current year; or Aggregate profit (loss) on contracts; Proceeds from collectibles; or FATCA filing requirement
- Reduced exclusion computations/determinations in the sale of a home
- Married homeowners who do not meet all requirements to claim the maximum exclusion on the sale of a home
- Decreases to basis, including:
  - Deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997
  - Depreciation during the time the home was used for business purposes or as rental property
- Taxpayers with "nonqualified use" issues
- Sale of a home used for business purposes or as rental property

#### Retirement

- The taxpayer needs to file Form 8606
- Taxpayers who made nondeductible contributions to a traditional IRA
- Taxpayer subject to additional tax due to excess IRA contributions
- Roth IRA distributions that are taxable or partially taxable, and distributions with Form 1099-R, code J or T
- IRA rollovers that do not meet the tax free requirements
- Taxpayers who used the General Rule to figure the taxable portion of pensions and/or annuities for past years
- Form 1099-R, distribution code A (lump-sum distribution qualifying for special tax treatments)

#### Rental Income/K-1 (WE ARE NOT PREPARING RETURNS WITH MORE THAN 1 RENTAL PROPERTY OR K-1’S FORM 1065 OR 1120S)

- Income reported on Schedules K-1

- Deductions, credits, and other items reported on Schedules K-1
- Royalty income reported on Form 1099-Misc with associated expenses
- Rental income and expenses for non-military taxpayers
- Taxpayers who rent their property at less than fair rental value
- Rental-related interest expenses other than mortgage interest
- The actual expense method (auto and travel expense deductions)
- Casualty loss
- Completing Form 8582 (Passive Income)
- Completing Form 4562
- Taxpayers who filed or need to file Form(s) 1099

#### Other Income

- Distributions from an ABLE account in which the funds were not fully used for qualified disability expenses
- Distributions from Educational Savings Accounts in which the:
  - Funds were not used for qualified education expenses, or
  - Distribution was more than the amount of the qualified expenses
- Taxpayers who are insolvent and had debt canceled

#### Military Income

- U.S. Armed Forces members who were provided a commuter highway vehicle by provide their employer

#### Adjustments to Income

- Other adjustments to income on Form 1040, such as:
  - Self-employed health insurance deduction WITH PREMIUM TAX CREDITS
  - Self-employed SEP, SIMPLE, and qualified plans
  - Certain business expenses of performing artists
  - Domestic production activities deduction
- Form 8606, Nondeductible IRAs

#### Standard Deduction/Itemization

- Casualty and theft losses
- Investment Interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers that file Form 8283 to report noncash contributions of more than \$500
- If the taxpayer is donating property that was previously depreciated
- If the taxpayer is donating capital gain property such as appreciated stock or artwork
- Repayment of income of \$3,000 or more
- Loss or termination of an annuity by a deceased annuitant

#### Education Credits

- Taxpayers who must repay (recapture) part or all of an education credit claimed in a prior year

#### Foreign Tax Credit

- Taxpayers who must complete Form 1116 because they cannot elect to report foreign tax on Form 1040 unless the VITA site has a volunteer with an International Certification
- Taxpayers who may deduct a foreign income tax that is not allowed as a credit in certain circumstances
- Certain expenses deducted to reduce foreign gross income
- Taxpayers who must report a carryback or carryover on Form 1116
- Taxpayers who must file a separate Form 1116 required for foreign income from a sanctioned country, using the "Section 901(j) income" category

#### Miscellaneous Credits

- Mortgage interest credit

## Other Taxes

- Household employment taxes
- IRA minimum distributions not withdrawn when required
- Excess contributions to an IRA that are not removed by the due date of the return including extensions
- Parts II through IX of Form 5329 (only Part I is in scope)
- Distribution from an ABLE account that exceeds the qualified disability expenses
- Individuals subject to additional Medicare tax on Form 8959
- Individuals subject to the net investment income tax on Form 8960

Taxpayers who choose to claim any of the following credits:

- Form 4136, Credit for Federal Tax Paid on Fuels
- Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
- Form 8839, Qualified Adoption Expenses
- Form 8885, Health Coverage Tax Credit

## Refund and Amount of Tax Owed

- Form 2210, Underpayment of Estimated Tax by Individuals, Estate, and Trusts

Updated 21 Oct 2019